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No. 86-673

IN THE

Supreme Court of the United States

OCTOBER TERM, 1986

REVLON, INC.

Petitioner,

vs.

CARSON PRODUCTS COMPANY

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

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REPLY BRIEF FOR PETITIONER

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TABLE OF AUTHORITIES

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The petition presents an important question of law in the proper interpretation of 35 U.S.C. §285, the patent statute which authorizes attorney fee awards in "exceptional" cases: Is the district court empowered to classify a case as exceptional where a patentee engaged in "bad faith" misconduct before the PTO, regardless of whether the ensuing patent was invalidated because of the patentee's misconduct or for other reasons? In the case below, the trial court in the Southern District of New York answered that question affirmatively, but the Federal Circuit reversed.*

* Only the attorney fee award was reversed. The Federal Circuit affirmed the holding below that the patents in suit were invalid over the prior art.

Respondent Carson Products Company does not challenge the legal significance and importance of the issue raised by the petition. Rather, in opposing the petition, respondent argues only that the issue was correctly decided in the challenged Federal Circuit opinion. That argument is wrong.

In support of its theory, respondent advances two interrelated (and incorrect) contentions: (1) The Federal Circuit decision was based on a finding of fact that it would not be unjust to fail to award attorney fees to Revlon (Br. in Opp. 15-16); (2) It is settled law, as the Federal Circuit held, that misconduct before the PTO cannot support an exceptional case finding "where the conduct does not rise to the level of fraud or inequitable conduct sufficient to render the patent unenforceable" (*id.* at 12). Neither contention is well-taken.

First, the appellate court below did not refuse to award petitioner attorney fees because, as a factual matter, respondent "was merely defending a lawsuit which it did not bring and in which it acted properly." (Br. in Opp. 15.) On the contrary, the Federal Circuit vacated petitioner's fee award as a matter of law, finding that actual misconduct before the PTO coming "extremely close to . . . fraud" was insufficient to support the award.

Second, the appellate court ruling conflicts with the long-settled legal standard that " 'a finding of fraud or inequitable conduct is *not* necessary to constitute an 'exceptional' case under [§285], as it may be exceptional for some other reason. . . .' " (Pet. 7 and cases cited at n. 5.) Despite respondent's claim that the Federal Circuit followed well established precedent, it cites no case which supports the Court's prec-

edent—changing decision. At best, the cases cited by respondent demonstrate that fraud before the PTO will support an award of attorney fees—an issue not in dispute. Those cases also hold that where an award of attorney fees under §285 is based exclusively on a finding of fraud, reversal of that finding necessitates reversal of the award—an issue which is also not disputed. Thus, respondent's reliance on these cases is misplaced, for none holds that fraud in the PTO is an essential precondition to a fee award.

To further justify its untenable position, respondent makes a torturous attempt to distinguish factually the cases relied on by petitioner. Respondent does not however, refute the rule of law for which petitioner cited the cases. It does not negate (or even challenge) the fact that in each of these cases the court recognized and upheld the "bad faith" standard for an award under §285.

In addition, respondent does not address the fact that in several of these cases, as in the instant one, the patents were invalidated on grounds other than fraud or inequitable conduct and attorney fees were nonetheless awarded because of the patentee's bad faith misconduct before PTO. *See Kahn v. Dynamics, Corp. of America,* 508 F.2d 939 (2d Cir. 1974); *Colortronic Reinhard & Co. v. Plastic Controls,* 668 F.2d 1 (1st Cir. 1981); *Shelco Inc. v. Dow Chemical Co.,* 446 F.2d 613 (7th Cir.), *cert. denied,* 409 U.S. 876 (1972); *True Temper Corp. v. CF&I Corp.,* 601 F.2d 495, 509 (10th Cir. 1979).

Respondent concedes that "bad faith" before a reviewing court is sufficient to support a fee award against the losing patentee (see Br. in Opp. 10-13 and n. 13), but suggests that "mere bad faith in prose-

cution [of a patent application] before the Patent Office" stands on a different footing. (Br. in Opp. 9 and n. 8). Respondent, however, cites no cases so holding, and that distinction cannot be squared with the language of the governing statute and the implementing decisions, which do not differentiate between misrepresentation to the Court or the PTO, in determining whether a case is exceptional.

As a matter of policy, such a technical distinction would be a senseless denigration of the PTO. That distinction, indeed, would go a long way toward defeating the salutary purpose of §285 and Congress' clear intent that the issue of what constitutes an exceptional case be left to the discretion of the trial court.* The Federal Circuit's nullification of that Congressional intent in the case at bar is manifestly wrong.

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* This Court has noted that in §285 Congress authorized an award to either party "depending on the outcome of the litigation and the court's discretion." *Alyeska Pipeline Service Co. v. Wilderness Society*, 421 U.S. 240, 256 n.37, 95 S.Ct. 1612, 1625 n.37 (1975). It is also noted that Mr. P.J. Federico, the Revisor of Title 35, testified in hearings before Congress that what constitutes an exceptional case under §285 "is left and stay left, to the discretion of the court that is conducting the case." *Patent Law Codification And Revision: Hearings on H.R. 3760 Before A Subcommittee of the House Comm. on the Judiciary, 82nd Cong., 1st Sess./108-109 (1951).*

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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